

## **XI. Community Reinvestment Act – Wholesale/Limited Purpose**

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3. Review community contact forms prepared by the regulatory agencies to obtain information that assists in the evaluation of the institution's community development activities. Contact local community, government, or economic development representatives to update or supplement information about community development activities in the assessment area(s) or the broader statewide or regional areas of which the assessment area(s) is a part.
4. Identify barriers, if any, to participation by the institution in local community development activities. For example, evaluate the institution's ability and capacity to help meet the community development needs of its assessment area(s) through a review of the uniform bank performance report (UBPR), the consolidated report of condition (Call Report), annual reports, supervisory reports, prior CRA performance evaluations, and financial information for other wholesale/limited purpose institutions serving approximately the same assessment area(s).
5. Review the institution's public file and any comments received by the institution or the agency since the last CRA performance evaluation for information that assists in the evaluation of the institution.
6. Document the performance context information gathered for use in evaluating the institution's CRA record.

### **Assessment Area**

1. Review the institution's stated assessment area(s) to ensure that it:
  - a. Consists of one or more MSAs/MDs or contiguous political subdivisions (i.e., counties, cities, or towns) where the institution has its main office, branches, and deposit-taking ATMs;
  - b. Consists only of whole census tracts;
  - c. Consists of separate delineations for areas that extend substantially across MSA/MD or state boundaries unless the assessment area is located in a multistate MSA/MD;
  - d. Does not reflect illegal discrimination; and
  - e. Does not arbitrarily exclude any low- or moderate-income area(s) taking into account the institution's size and financial condition.
2. If the assessment area(s) does not coincide with the boundaries of an MSA/MD or political subdivision(s), assess whether the adjustments to the boundaries were made because the assessment area would otherwise be too large for the institution to reasonably serve, have an unusual configuration, or include significant geographic barriers.
3. If the assessment area(s) fails to comply with the applicable criteria described above, develop, based on discussions with management, a revised assessment area(s) that complies with the criteria. Use this assessment area(s) to evaluate the institution's performance, but do not otherwise consider the revision in determining the institution's rating.

### **Community Development Test**

1. Identify the number and amount of the institution's community development loans, (originations and purchases of loans and any other data the institution chooses to provide), qualified investments, and community development services. Obtain this information through discussions with management, HMDA data collected by the institution, as applicable; investment portfolios; any other relevant financial records; and materials available to the public. Include, at the institution's option:
  - a. Community development loans, qualified investments, and community development services provided by affiliates, if they are not claimed by any other institution; and
  - b. Community development lending by consortia or third parties.
2. Review community development loans, qualified investments, and community development services to verify that they qualify as community development.
3. If the institution participates in community development lending by consortia or third parties, or claims activities provided by affiliates, review records provided to the institution by the consortia or third parties or affiliates to ensure that the community development loans claimed by the institution do not account for more than the institution's share (based on the level of its participation or investment) of the total loans originated by the consortium or third party.
4. Considering the institution's capacity and constraints and other information obtained through the performance context review, form conclusions about:
  - a. The extent, by number and dollar amount of community development loans, services, and qualified investments;
  - b. The degree of innovation in community development activities (e.g., serving low- or moderate-income borrowers in new ways or serving groups of creditworthy borrowers not previously served by the institution);
  - c. The complexity of those community development activities, such as the use of enhancements or other features specifically designed to expand community development lending;
  - d. The responsiveness to the opportunities for community development lending, qualified investments, and community development services; and

- e. The degree to which the institution's qualified investments serve needs not routinely provided by other private investors.
5. Summarize conclusions regarding the institution's community development performance and retain in the work papers.

**Ratings**

1. Review the analyses of the institution's performance in each assessment area examined, considering only those community development activities that benefit the assessment area(s) and the broader statewide or regional area(s) that include the assessment area(s).
2. Group the analyses of the assessment areas examined by MSA<sup>1</sup> and nonmetropolitan areas within each state where the institution has branches. If an institution has branches in two or more states of a multi-state MSA, group the assessment areas in that MSA.
3. Summarize conclusions about the institution's performance in each MSA and the nonmetropolitan portion of each state in which an assessment area was examined using these procedures. If two or more assessment areas in an MSA or in the nonmetropolitan portion of a state were examined using these procedures, determine the relative significance of the institution's performance in each assessment area by considering:
  - a. The significance of the institution's activities in each compared to the institution's overall activities;
  - b. The community development opportunities in each;
  - c. The significance of the institution's activities for each, particularly in light of the number of other institutions and the extent of their activities in each; and
  - d. Demographic and economic conditions in each.
4. For assessment areas in MSAs and nonmetropolitan areas that were not examined, consider facts and data related to the institution's community development lending, investment, and service activities to ensure that performance in those areas is not inconsistent with the conclusions based on the assessment areas examined.
5. Assign a preliminary rating for an institution with operations in one state only using the Community Development Ratings Matrix. For an institution with operations in more than one state or multi-state MSA, assign a preliminary rating for each state, using the Community Development Ratings Matrix. To determine the relative significance of each MSA and nonmetropolitan area to the institution's overall rating (institutions operating in only one state) or state-wide or multi-state MSA rating (institutions operating in more than one state), consider:
  - a. The significance of the institution's activities in each compared to the institution's overall activities;
  - b. The community development opportunities in each;
  - c. The significance of the institution's activities for each, particularly in light of the number of other institutions and the extent of their activities in each; and
  - d. Demographic and economic conditions in each.
6. For institutions with operations in more than one state or multi-state MSA, assign a preliminary rating for the institution as a whole. To determine the relative significance of each state or multi-state MSA consider:
  - a. The significance of the institution's activities in each compared to the institution's overall activities;
  - b. The community development opportunities in each;
  - c. The significance of the institution's activities for each, particularly in light of the number of other institutions and the extent of their activities in each; and
  - d. Demographic and economic conditions in each.
7. If the institution is adequately meeting the community development needs of each of its assessment area(s), consider those community development activities, if any, that benefit areas outside of the assessment area(s) or a broader statewide or regional area that includes the assessment area(s). Determine whether those activities enhance the preliminary rating. If so, adjust the rating(s) accordingly.
8. Consider an institution's past performance if the prior rating was "Needs to Improve." If the poor performance has continued, an institution could be considered for a "Substantial Noncompliance" rating.
9. Review the results of the most recent compliance examination and determine whether evidence of discrimination or other illegal credit practices that violate an applicable law, rule, or regulation should lower the institution's preliminary composite rating or the preliminary CRA rating for a state or multistate MSA.<sup>2</sup> If evidence of discrimination or other illegal credit practices by the institution in any geography, or in any assessment area by any affiliate whose loans have been considered as part of the bank's lending performance, was found, consider the following:
  - a. The nature, extent, and strength of the evidence of the practices;

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<sup>1</sup> The reference to MSA may also reference MD.

<sup>2</sup> "Evidence of discriminatory or other illegal credit practices" includes, but is not limited to: (a) Discrimination against applicants on a prohibited basis in violation, for example, of the Equal Credit Opportunity Act or the Fair Housing Act; (b) Violations of the Home Ownership and Equity Protection Act; (c) Violations of section 5 of the Federal Trade Commission Act; (d) Violations of section 8 of the Real Estate Settlement Procedures Act; and (e) Violations of the Truth in Lending Act regarding a consumer's right of rescission.